

Date Mailed February 7, 2003
---------------------------------

BEFORE THE  
  
PUBLIC SERVICE COMMISSION OF WISCONSIN

Request by Wisconsin Electric Power Company  
for Approval of Risk Management Plan for  
Gas-Fired Generation

6630-GF-105

**NOTICE OF INVESTIGATION**

**THIS IS AN INVESTIGATION** of Wisconsin Electric Power Company's (WEPCO) January 17, 2003, request for approval of its risk management plan for gas-fired generation. As a result of revisions to Wis. Admin. Code ch. 116, Electric Fuel Rules, WEPCO may begin to include the costs and benefits of fuel price risk management tools in its fuel rates, provided the Commission has approved the risk management plan.

By this notice, the Commission commences its analysis of the proposed WEPCO risk management plan. In its application WEPCO indicates that its risk management plan involves hedging strategies for natural gas purchases for gas-fired generation that will be non-speculative. The purpose of the proposed plan is to mitigate and protect against natural gas price spikes. The proposed hedging strategies will involve both physical and financial hedging techniques, utilizing a variety of instruments such as natural gas futures contracts, gas options, primarily call options, collars, and basis swaps. Under the plan WEPCO may hedge up to 75 percent of the estimated monthly natural gas purchases for certain power plants. Under the plan all financial transactions will be cleared through the New York Mercantile Exchange (NYMEX) and WEPCO proposes to establish appropriate internal control policies, staffing, monitoring, and reporting.

**NOTICE IS GIVEN** that the Commission considers it necessary, in order to carry out its duties, to investigate all books, accounts, practices, and activities of the applicant. The expenses incurred or to be incurred by the Commission which are reasonably attributable to such an investigation will be assessed against and collected from the applicant in accordance with the provisions of Wis. Stat. § 196.85 and Wis. Admin. Code ch. PSC 5.

This is a Type III action under Wis. Admin. Code § PSC 4.10(3). Since no unusual circumstances have come to the attention of the Commission which indicate that significant environmental consequences are likely, neither an environmental impact statement under Wis. Stat. § 1.11 nor an environmental assessment is required.

The Commission does not discriminate on the basis of disability in the provision of programs, services, or employment. Any person with a disability who needs accommodations to

Docket 6630-GF-105

participate in this proceeding or who needs to obtain this document in a different format should contact the docket coordinator listed below.

Questions regarding this matter may be directed to docket coordinator Randel Pilo at (608) 267-1474.

Dated at Madison, Wisconsin, \_\_\_\_\_

By the Commission:

---

Lynda L. Dorr  
Secretary to the Commission

LLD:RAP:mem:g:\notice\pending\6630-GF-105 Hearing.doc